

# City of Detroit

## CITY COUNCIL

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PEGGY ROBINSON

Deputy Director  
(313) 224-4946

TO: The Honorable City Council

FROM: David Whitaker   
Elizabeth Cabot   
David Teeter 

DATE: March 17, 2006

RE: **PROPOSED DETROIT HISTORICAL SOCIETY MEMORANDUM  
OF AGREEMENT**

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The Research and Analysis Division (RAD) reviewed questions posed by Council President Cockrel and Council Member Kenyatta relative to the Memorandum of Agreement (MOA) between the City of Detroit and the Detroit Historical Society and referred them to the Society for response. The Society's Executive Director, Robert Bury, forwarded written responses to both sets of questions to RAD. They are attached (as are the questions) for your review.

RAD has the following additional comments with respect to President Cockrel's questions.

1. RAD notes that ultimately the City must agree to any sale or transfer of assets.
2. Item number two questions the three-year duration of initial funding, however the first year of subsidy is nearing its last quarter with remaining appropriated funds available. As of March 6, 2006, the Historical Department had funds available of \$831,938.58. (See attached.)
3. The indemnification language in section 5.6 of the MOA is the same as the language contained in section 5.3 of the DZS agreement with one exception: the Society agrees (as in the DZS agreement) to indemnify the City for liability arising out of the Society's operation of the museums, but not arising from the City's *ownership* of the assets. In recognition of Michigan's strict motor vehicle owner liability statute, MCL 257.401, RAD suggests that this section be amended to indicate that the Society

indemnify the City for any liability associated with the City's ownership of the historic vehicles.

RAD has discussed amendments to the current draft of the MOA with both the Law Department and the Society. These amendments would require Council approval of any renewal of the agreement (as in the DZS agreement); listing of the vehicles to be transferred to the Society; and indemnification of the City by the Society for liability arising from the City's ownership of the historic vehicle collection.

Finally, City Council may note that the Historical Department's asset insurance contract (#2705081) is on the list submitted by the Purchasing Division to be approved on Wednesday, March 22, 2006.

attachments

**Historical Department**  
**from DRMS as of March 6, 2006**  
**Gen Fd**

Account	Fund	Object	Budget	Encumbrance	Actual	Funds Available
<b>Total Appropriations</b>			2,575,619.34	616,526.69	1,127,154.07	831,938.58



**City of Detroit**  
CITY COUNCIL

KENNETH V. COCKREL, JR.  
COUNCIL PRESIDENT

**M E M O R A N D U M**

**TO:** David Whitaker  
Director, Research and Analysis Division

**FROM:** Kenneth V. Cockrel, Jr. *K.V.C.*  
President

**DATE:** March 15, 2006

**RE:** Questions about Memorandum of Agreement  
Detroit Historical Society

I have a number of questions about the above-referenced matter. I would appreciate if you could facilitate getting answers to these questions from the Detroit Historical Society as quickly as possible.

1. The language in Section 4.1 and 4.2 of the agreement seems to be in conflict. Specifically, if the City remains the "public owner and municipal authority over the assets of the Museums" (Section 4.2), why does Section 4.1 indicate that "no assets or other items important to the fulfillment of the Museum's mission will be sold or transferred without prior consent of the Society?" Shouldn't the City (Mayor and Council) be the entity that must first agree to sale or transfer of assets?
2. Section 5.2, City commitment to funding states that the City will provide an annual subsidy of \$500,000 for Fiscal Years 2005 – 2006, 2006 – 2007 and 2007 – 2008. Please provide justification for both the amounts and the three-year duration.
3. This question is directed to RAD. The language in Section 5.6 (Indemnification) seems to be very similar to the indemnification language initially offered by the Zoological Society. Please comment on whether this language provides the City with sufficient protection.
4. Section 5.7 (Insurance) states that "the city will maintain fire and property coverage damage to Museum assets." Please inform City Council what these costs are currently.
5. Section 7.6 (Renewal) states that the agreement will be renewed for successive ten (10) year terms but it doesn't speak to the agreement coming back to City Council for approval. This language should be amended to state the agreement will be renewed after the initial term after review and approval by the Mayor and City Council.

**Memorandum of Agreement – Historical Society**

**Page 2**

Furthermore, the successive 10 year renewals should take place after approval by the Mayor and the City Council.

6. The agreement is silent on the fate of the Tuskegee Airmen Museum. While we've been told that this will be moved to Detroit City Airport, Council has not been given a detailed proposal or plan on this. What is the status of the museum?

7. Section 4.2 (All Assets Are Owned by the City, a Municipal Corporation). What are the assets and what is their total value? Is the Insurance in line with the current market value of the collection?

Please coordinate responses to the questions as quickly as possible. Thank you.

cc. All Colleagues  
Janice Winfrey, City Clerk

**Responses to Council President Kenneth V. Cockrel, Jr.'s Questions  
about the Detroit Historical Society MOA  
March 16, 2006**

**Question 1.**

The intent here is that the City, though the owner of all assets, should not sell or transfer assets that are essential to the Society's ability to perform its obligations under the terms of the proposed agreement. The Society must be able to assure potential donors that contributions for capital improvements or collections will be used for the purposes intended.

For example, if the City decided to sell or transfer the Dossin Great Lakes Museum without prior discussion with the Society, the Society would be unable to perform its contractual obligation to operate the Dossin. Similarly, if the City elected to sell or transfer historical artifacts in the Collections Resource Center, the Society's ability to develop new exhibits for the Museum, an obligation of the proposed agreement, would be compromised. In addition, such action would discourage further donations of artifacts, photographs and/or documents.

**Question 2.**

The subsidy or grant amount represents an amount needed by the Society to sustain operations during this transition period. This amount is intended to cover non-personnel expenses incurred in the operation of the Museums. It is comparable to the expenses the City would have incurred if the facilities were "mothballed" and closed to the public. While the subsidy duration is cited as three years, 2005-2006, 2006-2007 and 2007-2008, the City, at its option, may elect not to provide a subsidy during the current fiscal year, but rather continue to pay the Museums' non-personnel expenses until June 30, 2006. The \$500,000 subsidy would then begin with and be part of the 2006-2007 budget.

**Question 3.**

I believe that the indemnification language is identical to that of the Zoo agreement that was found to provide sufficient protection for the City.

**Question 4.**

Currently the City provides insurance for the buildings and the collections. The annual insurance premiums for the main museum and the Dossin Great Lakes Museum total \$15,191. These costs are included as part of the City's Civic and Cultural Policy with AON Risk Services. (This is currently included as Exhibit B.)

**Question 5.**

Section 7.6 should be amended to reflect the requirement that City Council approval is required for renewals beyond the initial 15 year term.

**Question 6.**

The Tuskegee Airmen Museum is located in a building located on the grounds of Historic Fort Wayne. The Tuskegee organization does not provide any payment to the Historical

Department or City for their use of this building. Though moving to Detroit City Airport has been discussed, we are unaware of the current status of their plan, and we anticipate they will remain at Fort Wayne for the at least the near term. As such, the Tuskegee Airmen Museum is not part of the proposed agreement with the Society. The Collections Resource Center is the only building at Fort Wayne that is included in the proposed MOA with the Society.

**Questions 7.**

The current insured value of the Museums' assets are as follows

Main Museum (City of Detroit Civic and Cultural Plan)	\$13,743,444
Dossin Great Lakes Museum (City of Detroit Civic and Cultural Plan)	\$ 2,069,332
Collections (City of Detroit Fine Arts Policy)	\$ 30,977,866

**City of Detroit**  
CITY COUNCIL

**KWAME KENYATTA**  
COUNCIL MEMBER

**MEMORANDUM**

TO: David Whitaker, Director, Research and Analysis

FROM: Council Member Kwame Kenyatta

DATE: March 16, 2006

RE: Questions Regarding City-Owned Assets at Detroit Historical Museum

I read an article in yesterday's **Metro Times** about a valuable, City-owned car collection at the Historical Museum ("*Under Wraps: The Detroit Historical Museum's Stranded Car Collection*," Steve Lehto, **Metro Times**, March 15-21, 2006). The article raised several issues that are worth investigating:

- 1) What is the value of the car collection?
- 2) §§4.1 and 4.2 of the Historical MOA address the retention of City-owned assets; however, please specify the "vehicles" that are to be transferred to the Society, as outlined in §4.1.
- 3) Please obtain a copy of the agreement between the City and the donors of the car collection.
- 4) How much in revenue has the Historical Museum collected from loaning out vehicles to other entities?

Thank you.



**Responses to Concerns of Council Member Kwame Kenyatta  
In his Memo of March 16, 2006**

1. The value of the Museums' car collection is \$1,557,350
2. The vehicles to be transferred to the Society include the following:
  - a. 2000 Econoline van, Vehicle # 006602
  - b. F-350 HD truck, Vehicle #006202
  - c. F-350 Pick-up truck, Vehicle #986110
  - d. Ford Stake Truck, Vehicle # 37716
  - e. Chevrolet Cavalier Sedan, Vehicle #21524None of these vehicles are part of the Museums Collections.
3. The Deed of Gift form, that has been faxed to you, is the form used to acknowledge all gifts to the Collection, including automobiles. Cars in the Museums' collection were donated, over time, by many donors.
4. Revenues realized by loaning cars to other Museums is nominal. In the current year, less than \$1,000 in revenue was realized by loaning the Museums cars.

# DEED OF GIFT

This receipt may be used as proof of gift for income tax purposes. As an interested party, the Museum is not permitted to appraise items. Donors wishing to claim a deduction are required by the Internal Revenue Service to obtain an independent appraisal.

**The IRS defines a qualified appraisal as:**

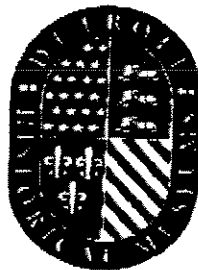
- A. A description of the property appraised.
- B. The fair market value of the property on the date of contribution and the specific basis for the valuation.
- C. A statement that such appraisal was prepared for income tax purposes.
- D. The qualifications of the appraiser.
- E. The signature and tax identification number of the appraiser.
- F. Such additional information as the Internal Revenue Service prescribes by regulation.

**A qualified appraiser is one who is not:**

- A. The taxpayer, (The donor)
- B. A party to the transaction in which the taxpayer acquired the property.
- C. The donee. (Detroit Historical Museum)
- D. Any person employed by any of the foregoing persons, or related to any of the foregoing persons.
- E. Any person whose relationship to the taxpayer would cause a reasonable person to question the independence of such appraiser.

When completed, please return this form to:

Registrar  
Detroit Historical Museums  
5401 Woodward Avenue  
Detroit, MI 48202



Detroit Historical Museums  
5401 Woodward Avenue  
Detroit, MI 48202

# DEED OF GIFT

The Detroit Historical Museums wishes to acknowledge the receipt of the following as a donation to the museums' collection.

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All gift offers must be presented to the Museum's Collection Committee. If the committee decides to decline the offer the item may be returned to the donor or disposed of in an appropriate manner  
( ) I want this item returned if it is not accepted by the museum. \_\_\_\_\_ (please initial)

When exhibited, the object(s) should be credited as the Gift of \_\_\_\_\_

I hereby give, donate, and release unconditionally the item(s) listed above, with the understanding that museum policy forbids the acceptance of material under conditions that restrict its use, exhibition or disposal in any way. I also affirm that I own said items and that to the best of my knowledge I have good and complete right, title, and interest to give.

Signature of Donor

Printed Name

Date

Address

City

State

Zip

Phone

Signature of Joint Owner, if applicable

Printed Name

Date

Address

City

State

Zip

Phone

Signature of Witness

Printed Name

Date

Accepting for the Detroit Historical Museums

Printed Name

Date